PROJECT OVERSIGHT REPORT

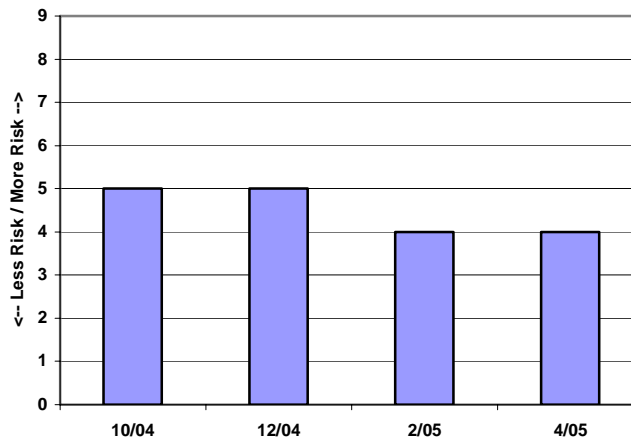|	
Merchandising Business Systems Project (MBS)	**Report as of Date:**
Washington State Liquor Control Board (WSLCB)	April 2005

Project Director: Randy Simmons
Executive Sponsor: Pat Kohler

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Severity/Risk Rating: High (high severity, high risk)   **Oversight:** Level 3 – ISB

Phase 2 Project Risk Assessment

Phase 2 Staff Recommendations: ISB staff continues to recommend the project budget and project risk assessments be kept up to date. The WSLCB should review these monthly. The project schedule and issues log should be reviewed at the weekly steering committee meeting to facilitate effective decision making and project support.

Phase 2 Variances:

Schedule: The project schedule has little contingency. Functional testing is complete but took longer than expected. Integration testing is taking longer and is now scheduled to be complete April 22. User acceptance testing is scheduled to be complete April 25. This will enable the start of two pilot stores on April 27. After the pilot, the first group of 25 stores will follow during the week of May 16. The second group (40 stores) is scheduled the week of June 13, the third group (48 stores) the week of June 20, and the fourth group (47 stores) the week of June 27. Full implementation would be complete by June 30, 2005 using this schedule, which would be on time and within budget. The project steering committee meets weekly to stay informed and determine corrective actions as necessary.

Budget/Cost: The MBS hardware, software, and operations budget was $6.5. The project is now projecting to spend $7.6 million. The project was unable to recover $1.2 million when the GERS (formerly General Electric Retail Systems) contract was terminated. The WSLCB has allocated other agency resources to cover the additional expenses during the project. In order to reduce risk and ensure the success of the project the WSLCB decided to provide a higher level for staff training because of the significant level of change brought about by the new point-of-sale (POS) system. Also, the WSLCB added a module to provide tighter audit controls than the POS software provides.

<u>Scope:</u> None.

<u>Resources:</u> The agency has retained external contractor resources with appropriate project management and technical skills to complete the POS implementation within this biennium. Staff issues caused by changing operational procedures at the stores and at headquarters require significant attention and preparation prior to implementation. Considerable effort has been invested to prepare the staff for the changes being brought by the new system. Due to the level of resources at the WSLCB, resources are redirected away from the project activities when operational or system issues arise and need timely resolution.

Risks/Mitigation Steps:
1. Schedule
    The project steering committee has approved the project schedule. This assists in focusing resources to the mandatory activities needed to complete the schedule. The current schedule estimates project completion by June 30, 2005. If this date is not achieved, ISB staff expectation is that the completion date would be within one month.

    <u>Mitigation Tasks</u>
    - Rhodes Consulting Services, Inc., continues to monitor and report status on overall project schedule.
    - The agreement with Triversity (POS software vendor) has been expanded to provide training for the retail staff and store implementation services.
    - The Retail Director as the project sponsor, developed detailed store conversion plans, schedules and contingency plans.
    - Solutions IQ designed the data repository and developed the interfaces between the POS and the WSLCB merchandising and financial applications.
    - The WSLCB is incorporating contingency planning strategies into the deployment schedule, although options have declined as tasks take longer than planned.

2. Budget/Cost
    Although the GERS contract was terminated, the WSLCB was able to recover POS equipment for 161 stores and the POS software licenses for the Triversity POS. The project was not able to recover approximately $1.2 million. The MBS project has exceeded the original proviso appropriations for design, development, implementation, and maintenance by $1.1 million.

    <u>Mitigation Tasks</u>
    - The WSLCB has redirected additional financial resources within the agency in order to complete the project within the biennium.
    - The WSLCB Administrative Director is now reviewing and approving, where appropriate, all project expenditures.

3. Resources
    Two division managers from the Liquor Board have been selected by Governor Gregoire to head other state agencies. The IT director and the retail store director have transitioned to their new responsibilities. Additionally, the WSLCB staff are resistant to changes being made to their work processes.

    <u>Mitigation Tasks</u>
    - The Administrative Director has asked other division managers and deputy managers to fill in for division managers who were selected by the Governor.
    - The WSLCB has identified a "change agent" to develop approaches that will address staff concerns and secure their support. This work started in early 2005.

- Staff concerns are also addressed through the communications plan and user involvement in the "change agent" team.
- A detailed training plan and program have been developed to address new system impacts on the retail store staff and managers, regional division managers, auditors, finance office, and help desk.
- The training includes two days for each store manager and assistant store manager plus on-site, first day, go-live support.

Project Description: Since termination of the original contract with GERS, the WSLCB identified the POS replacement as the highest priority for the agency and met the Phase 1 goal to have the new POS equipment operational in all state run stores by October 2004. Phase 1 applied the current application to the new POS equipment and installed it in all state run stores. The objective for Phase 2, by June 2005, is to install the Triversity POS application at each state run store and develop and implement new interfaces to WSLCB's current business applications.

Background Information
The 2001 Legislature authorized the WSLCB to replace its POS software with a commercially available product capable of managing and supporting the agency's retail business. These business activities include procurement (timely sales and marketing data), distribution (electronic tracking of shipping and handling), wholesale and special orders, and POS in the 161 state liquor stores. The contract agent stores are not included in the project.

The WSLCB selected GERS, a leading supplier of merchandising, point-of-sale, and e-business solutions for retailers with more than 400 systems installed. Following failure to pass user acceptance testing criteria, the WSLCB terminated its contract with GERS for default effective November 24, 2003. The WSLCB stopped all work with GERS on the MBS project at that time. The WSLCB immediately began exploring alternatives to address its POS and business information systems needs. The WSLCB has met the goal of having new POS equipment operational in all state run stores by October 2004. Phase 2 will implement the Triversity POS application by June 2005.

Due to its information systems' age and obsolescence, the WSLCB's merchandising systems represent a major exposure to the agency's ability to perform its core mission.

Technology: Under the agreement with GERS, the WSLCB purchased industry standard IBM cash registers and related POS equipment and the Triversity POS application.

Budget: The appropriation for this project was $4,802,720. In addition, a $1.3 million proviso in operation funds for the new system and $418,000 in software maintenance funds were added to the project budget. An additional $1.1 million from other sources within the agency has been added to cover project expenses, bringing the investment cost to $7.6 million.

At the point of the contract cancellation, the GERS contract cost $3 million and provided the POS hardware and POS software. Additional resources totaling $4.6 million (including current encumbrances of $1.5 million) are required to implement the new POS system for software licenses, contractors for project management, project development, testing, training, and implementation support.